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ABSTRACT

This booklet, which is intended for organizations making the transition to individual training accounts (ITAs) under the Workforce Investment Act (WIA), explains how educational and training institutions can make vouchers work for them. After a brief overview of the WIA's main provisions regarding ITAs and the future of voucher programs, the following principles underlying the WIA are discussed: (1) streamlining services; (2) empowering individuals through ITAs; (3) universal access to core employment-related services for all job seekers; (4) increased accountability; (5) a strong role for state and local workforce investment boards and the private sector; (6) state and local flexibility; and (7) improved youth programs. Next, challenges facing practitioners in a changing marketplace are considered. The second half of the booklet details the following six keys for making vouchers work: (1) realize that programs cannot live on vouchers alone; (2) provide job seekers with plenty of choice; (3) market your services to job seekers and One-Stops; (4) establish joint ventures that strengthen your chances of success; (5) focus on long-term employment retention and advancement outcomes; and (6) channel staff and broad concern into creating change. Concluding the booklet are 15 endnotes and a list of 15 organizations concerned with workforce development and job training. (MN)

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A guide for organizations

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Surviving,
and maybe **Thriving,**
on
Vouchers

Sheila M. Maguire

*“Several of us have learned...
that market forces are **more**
effective than we thought
they could be, and because
of inherent defects in the
management of public
programs or flawed political
processes, government
programs are **less** effective
than we thought they would be.*

*Ray Marshall,
Former Secretary of Labor, Carter Administration¹*

The Workforce Investment Act (WIA) marks a significant change for job seekers and the practitioners who serve them. Under the Job Training Partnership Act (JTPA), local job-training agencies contract with organizations for classroom seats and then refer people to fill them. Under WIA, eligible job seekers will be issued Individual Training Accounts (ITAs) and then will be able to pick their own training programs from a state-approved list.

ITAs are the latest in a number of policy initiatives that inject market-like forces into the delivery of government services by using some form of vouchers. Vouchers, under various names, are now used to provide nutrition, housing, child care, health services and higher-education services. Food stamps that can be cashed in at most grocery stores are one example of a voucher program at work. Pell grants for low-income college students are another and likewise can be used at many colleges and proprietary schools. Child care vouchers, offered in several states, pay for care at a center or at the home of a friend or relative.

Voucher programs deliver government assistance within a competitive marketplace and encourage individual customer choice. However, the complexity of the customer choice, the degree of government regulation involved in the transaction, and the marketplaces themselves all vary considerably. In the case of food stamps, customers are making simple choices about what to buy within an established marketplace of grocery stores with

little government regulation. In the case of housing vouchers, customers face time-consuming and complex choices in a limited marketplace in which the government defines which buildings qualify.

Some voucher programs have been embraced, while others have met with opposition. The teachers' unions, for example, have largely been able to stall voucher legislation for public education, although several cities and states have adopted public education vouchers locally. The agriculture lobby, in contrast, is a long-term and staunch proponent of food stamps. Yet, despite political battles, we still know little about how effective vouchers are in distributing government assistance and even less about the specific designs that might make them more or less effective.²

Vouchers for job training have been largely unopposed and are likely to be a part of the landscape for years to come. Policymakers across the political spectrum see vouchers as a way to improve the quality of job training. First introduced by President Bill Clinton as "skills grants," vouchers have remained through many versions of the job-training legislation and emerged as a central component in WIA as ITAs. While there are provisions in the law for the continued use of contracts in the case of "special populations" and for customized employer training, vouchers are slated to become the primary federally funded mechanism for delivering job training to American adults.

Under JTPA, job training has typically been arranged using contracts; however, purchasing one slot (a voucher-like arrangement) has also been allowed. A number of local jurisdictions, known under JTPA as Service Delivery Areas (SDAs), have in fact implemented some form of voucher system—often known as “individual referrals.” Some SDAs have been using vouchers for over a decade. Others have been introduced in response to the anticipated voucher system under WIA. A survey done by the National Association of Counties (NACo) found that over half the SDAs that responded used some kind of voucher with dislocated workers.³ The U.S. Department of Labor has also funded 13 voucher pilots (known as Career Management Accounts, or CMAs) with this population. Although many initiatives began with dislocated workers, several have expanded voucher availability to disadvantaged youth or adults.

What vouchers will mean for the quality of job training is still unknown. Public Policy Associates’ evaluation of CMAs indicates that across the 13 pilot sites improvements in employment and wage rates were not statistically significant.⁴ Some places, however, did show sharp increases. Costs per participant were higher (by 74%) than for participants in the traditional system, although this figure may be misleading since initial set-up costs were not considered separately from operating costs. The evaluation also found initial evidence of market-like behavior among training providers. A few sites reported a rise in some organizations’ tuition once word was out about the voucher’s value.

In other places, tuition fees dropped as a result of job seekers shopping around. The report concludes that a voucher system is generally likely to work as well as a contracts system and, “along the way, lead to somewhat happier participants and staff.”⁵ Several local program evaluations have been inconclusive as to whether vouchers result in better placement or higher wage rates among participants.⁶

For job seekers, skills training can make the difference between working but remaining poor and working at a job that leads to a living wage. Whether vouchers will meet the goal of improving the quality of training will not be known for some time. The impact on the organizations that serve job seekers, however, will be immediate.

Vouchers have already caused considerable concern among community colleges and community-based organizations (CBOs) that currently provide training under contracts. Many of these practitioners fear that student and cash-flow uncertainties will force their organizations out of the network of providers. Coming in the wake of Welfare-to-Work with its emphasis on “work first,” many practitioners experience vouchers as another blow to job-training organizations already under siege. In the words of one practitioner in an area that had moved entirely to vouchers, “Just when you said you could look on your radar screen and predict what it looks like and how it works, then a big finger comes down, from the federal government or some agency, and says, ‘we’re not going to fund you like that anymore,’ and it’s all stirred up and it’s all

different." The degree to which organizations are able to adapt to the shift to vouchers will have implications for the continued viability of some as well as for the services offered to job seekers.

"Surviving on Vouchers" is based on the experience of practitioners in several places where voucher-like initiatives have had a significant impact on the job-training community. Experience is drawn from the Public Policy Associates' evaluation of the CMA pilot demonstrations, information collected through the NACo survey, and interviews with public servants and practitioners in several locations: the city of Baltimore and its surrounding county; Pittsburgh, Pennsylvania; Northern Cook County, Illinois; Massachusetts; and the Thumb area in rural Michigan. The report has three sections:

- An overview of WIA's provisions regarding ITAs and a description of the various voucher-like systems in operation;
- A picture of the impact on the job-training community in several locations; and
- Strategies, both organizational and operational, that practitioners might consider as they prepare for the move to vouchers.

The Workforce Investment **Act** and Vouchers

"You can design a voucher proposal for almost any purpose you want to achieve. The devil is always in the details."

*Isabel V. Sawhill,
The Brookings Institution⁷*

Government voucher programs are generally subject to some degree of regulation. This section provides information on how WIA regulations governing ITAs deal with four key implementation concerns: the value of a voucher, decision-making about how and where the voucher is used, how organizations become state-approved providers, and how vendors get paid. It also examines the way some localities implemented their systems prior to WIA. Although the way vouchers are implemented is likely to vary widely, we hope the information given here will provide practitioners with a sense of the issues around which these variations may occur.

The Workforce Investment Act

WIA grants the states and localities increased authority to design their work-

force development systems in response to local conditions. While the WIA interim regulations outline seven key principles (see box on page 7), state and local plans—developed by business-led boards appointed by local officials—decide how each of these principles is put into practice. Local and state boards set funding priorities, decide who will operate the "One-Stop" system, prescribe how quickly job seekers move through the three tiers of service, and establish appropriate performance standards. In effect, states and localities will likely design and implement different kinds of voucher systems within the framework of their overall implementation of the Workforce Investment Act.

In addition to ITAs, WIA introduces other significant changes in the workforce development system. One-Stops are designed as the local mechanism for coordinating a range of federally funded workforce programs. Core employment services are offered to all adults regardless of income—in contrast to JTPA, which targets funds to disadvantaged youth and adults as well as dislocated workers. WIA also establishes

WIA Principles

Summarized from the Workforce Investment Act
20 CFR Part 652, et al. Interim
Final Rule. April 15, 1999

1. **Streamlining services** through better integration at the street level in the One-Stop delivery system.
2. **Empowering individuals** through ITAs, consumer report cards, and advice, guidance and support of the One-Stop.
3. **Universal access** to core employment-related services for all job seekers.
4. **Increased accountability** for increases in employment, retention, and earnings of participants and the reduction of welfare dependency.
5. **Strong role** for state and local workforce investment boards and the private sector, with local, business-led boards focusing on strategic planning, policy development and oversight of the local workforce investment system.
6. **State and local flexibility**, with significant authority reserved for the governor and chief elected officials.
7. **Improved youth programs** linked more closely to local labor market needs, community programs, and academic and occupational learning.

three tiers of service—core, intensive and training (see box on page 28)—accessed sequentially. If job seekers are unable to find employment or a job that leads to self-sufficiency with one tier of service, they can move to the next. WIA establishes performance measures that focus on job placement, long-term employment retention and earnings' gains.

Voucher Implementation

How much is a voucher worth?

WIA grants the state or local boards the power to decide the value of ITAs, either by establishing a maximum cap or range that applies to all vouchers or by setting a limit for a participant based on his/her individual employment plan.

The voucher's value has varied considerably among the SDAs that have used vouchers. According to the NACo survey, two-thirds of the SDAs with voucher-like programs set a cap ranging from \$1,500 to \$14,000 and averaging \$4,781.⁸ The same survey indicates that the average amount actually spent per customer is in fact lower—\$3,598. In Northern Cook County, Illinois, an SDA that serves suburban Chicago, a voucher system has been operating for over 10 years, with the voucher capped at \$3,000, which includes tuition, books and fees. Employment Resources, Inc., the SDA that serves the 20 cities and towns surrounding Boston, had a similar cap and made decisions among providers by comparing, among other factors, the hourly costs. In

Baltimore, the SDA set the maximum voucher value at \$7,000, citing the high costs of technical training at proprietary institutions in the area. Some SDAs have elected to let the amount vary according to the characteristics or needs of the individual. In Boston's Title III program, the amount varies according to the individual's educational level: \$2,000 for college degree holders, up to \$5,000 for those without, and an additional \$2,000 for those job seekers in need of the General Equivalency Degree (GED) or English as a second language (ESL) services. In the Michigan Thumb area (an SDA made up of four rural counties), a voucher's value ranges from \$840 to \$4,500 on the basis of many individual factors (family size and income, employment and educational background, welfare status, and any special circumstances). Vouchers in this SDA are used for support services as well as for career counseling, training and job placement. Several of the U.S. Department of Labor's CMA pilots also included support services in their voucher amounts, leaving job seekers to allocate money to child care, transportation and training costs. WIA only mandates vouchers for job training, although localities may also choose to extend customer choice into other areas.

Who decides what programs to "buy"?

Vouchers are intended to move decision-making about careers and training providers to the individual job seeker. According to WIA, "training services shall be provided in

The Baltimore Office of Employment Development

The Baltimore Office of Employment Development, one of the 13 CMA pilots, quickly expanded vouchers to disadvantaged youth and adults. As of July 1999, 800 individuals had received vouchers. Job seekers work with the SDA's customer service representatives to prepare individual proposals that are then forwarded to a review committee made up of representatives from the six Baltimore City One-Stop Career Centers. Using a rating system, proposals that score above 80 are approved for a voucher capped at \$7,000. Job seekers who are unable to find employment after training return to their customer service representative for assistance. In order to ease the collection of job-placement information, job seekers receive \$250 for returning to the One-Stop after completing training and another \$250 if they get a job within 90 days.

Job seekers use 60 different institutions, including

several four-year colleges, the community colleges, many proprietary institutions and a handful of nonprofit organizations. Most institutions are approved by the Maryland Higher Education Commission and must undergo a pre-award assessment that looks at the facility, quality of instructional support, teacher/student ratios and an organization's financial solvency. The institutions report on their own performance, though the SDA will soon be making performance information available to customer service representatives and to consumers on a statewide computerized "Career Net" system.

Baltimore continues to contract for classroom training in some occupational areas such as call-center personnel, geriatric nursing and truck driving, based on the understanding that not all job seekers can navigate the application and research process required for a voucher.

The Office of Employment Development also works with the Baltimore Division of Economic Development and has offered employer-customized training to over 200 people. In return for a customized curriculum, employers commit to hiring graduates and paying them at least \$6.50 an hour.

a manner that maximizes customer choice in the selection of an eligible service provider.⁷⁰ The interim regulations also describe the role of the case manager or One-Stop counselor, "An individual who has been determined eligible for training services may select a provider after consultation with a case manager."⁷¹ According to program administrators interviewed, it appears that the role of the case manager and the job seeker's degree of freedom in making choices has varied considerably.

In Pittsburgh, for example, job seekers undertake "action research" that involves visiting at least three training providers and discussing their options with a case manager. In the Thumb area, after creating an initial plan, case managers sign off on each voucher expense. In Baltimore, job seekers prepare a proposal package that is submitted for approval to a committee made up of representatives from each of the six One-Stop career centers.

The NACo survey found that "sub-state areas are providing a substantial amount of staff assistance to ensure that skill grant customers choose training appropriate for the individual as well as for local labor market needs."⁷² They characterize the programs as "managed skill grants." The CMA evaluation also reports a strong pattern of counselor involvement, comparing the job research process with the consideration of a small business bank loan application: the loan seeker prepares a plan that is in turn reviewed by a loan officer and loan committee. While the CMA evaluation reports

customer service satisfaction as high, with job seekers valuing the role of the JTPA career counselor, it also states that in "some sites where the degree of staff reliance was significant, extensive red tape meant frustration and dissatisfaction when staff was unavailable."⁷³

How do vendors get on the list?

To support job seekers in making informed choices, WIA mandates consumer report cards that contain information about the costs and performance of job-training programs included on the list of state-approved providers. These reports are to be made available to job seekers once they are eligible for an ITA through the One-Stop. Under WIA, post-secondary institutions that receive assistance under the Higher Education Act, as well as apprenticeship programs registered under the National Apprenticeship Act, are automatically eligible (for up to 18 months) to be on the state-approved list. States are required to establish a process for other organizations, such as nonprofits, CBOs and community colleges with noncredit courses, to get on the list. In determining subsequent eligibility, governors are required to ensure that the local boards take into consideration "(1) the specific economic, geographic, and demographic factors in the local areas in which providers seeking eligibility are located; and (2) the characteristics of populations served by providers seeking eligibility, including the demonstrated difficulties in serving such populations, where applicable."⁷⁴

The Workforce Development Council

The **Workforce Development Council**, the SDA that serves suburban Chicago, began using vouchers for Title III participants over a decade ago, and more recently included disadvantaged adults and Welfare to Work participants. Job seekers select their training providers from a list of hundreds of programs offered primarily by colleges and proprietary schools. This has grown from the 15 or 16 providers that offered training via contracts. Providers get on the list based on cost of placement, years in business and employer usage. To stay on the list, providers must maintain a 70 percent placement rate.

The voucher is capped at \$3,000 for tuition, books and fees. Job seekers are issued a referral form that the training institution uses to bill the Workforce Development Council. Average turn-around time on payment is six weeks.

Job seekers are assigned Career Advisors from the Workforce Development Council. Advisors have caseloads of about 200 people at any one time and work with job seekers from assessment through to placement. Decision-making about what kind of training and which institution to attend is shared between the Career Advisor and the client. Once the training has taken place, placement and follow-up are the responsibility of the Advisors, who have had career-guidance training and are required to become certified. A percentage of a Career Advisor's annual raise is based on the placement and retention rates of his/her caseload.

Pittsburgh Partnership

In 1996, the **Pittsburgh Partnership**, the agency that administers job-training and placement services for JTPA and state and federal Welfare-to-Work clients, designed and developed a system based on customer choice. Each job seeker has \$5,500 to spend for training. Job seekers are required to go through a five-day action research process that includes career and basic skills assessment, researching the local labor market, visiting at least three training providers and meeting with case managers to develop their final plan. Once accepted into a program, each job seeker must apply for a Pell grant.

Case managers guide job seekers using a consumer report that includes an overall rating (A, B, C, D) and performance information on the 40 or so training institutions with which the Pittsburgh Partnership does business. To get on the list, training institutions

must publish their costs, finance 50 percent of their business with non-JTPA funds, and be reviewed and approved by the planning office. Training must be completed within one year. Under the move to customer choice, the number of vendors has expanded considerably and now includes community colleges, four-year colleges, proprietary schools and a handful of nonprofit organizations.

According to the NACo survey, 91 percent of SDAs reported that they "assessed the institutions' ability to prepare individuals for occupations in demand in the labor market"; 83 percent compared prices at similar facilities; 82 percent considered an institution's standing with credentialing agencies; 80 percent used overall past performance (66 percent looked specifically at wage at placement); and 65 percent considered such elements as adequacy of teachers, space and materials, and safety of location. Over half (54%) used at least six of the seven measures listed in the survey, and 86 percent used four or more.

In Pittsburgh, case managers have access to past performance information (number of job seekers enrolled, number completed and number placed) compiled from both the local jurisdiction's and the institution's self-reported data. Each program or institution also receives an overall A, B, C or D rating on the basis of performance and the results of an on-site survey and labor market pre-award survey. Job seekers are only referred to programs that receive an A or B. In addition, all providers must publish their costs and conduct at least half of their business using non-JTPA funds. Baltimore County conducts a site visit and reviews the prior year's outcomes against state performance measures. All job seekers must also apply for Pell grants. In Northern Cook County, providers get on the list on the basis of cost of training, years in business and employer usage. While the One-Stop is responsible for placement, providers stay on the list by

placing 75 percent of their enrollees in jobs and maintaining high customer satisfaction ratings. All approved training must also be offered to the general public. In the city of Baltimore, in addition to meeting performance criteria, most vendors are approved by the Maryland Higher Education Commission.

How do vendors get paid?

Under JTPA, most practitioners have had to learn how to manage cash-flow delays, stemming from slow processing of payments. Under WIA, these concerns intensify for practitioners who must project how many job seekers their organization will serve and when they will be paid. WIA offers few guidelines on this issue, indicating that payments may be made in various ways, including the electronic transfer of funds, vouchers or other appropriate methods. Payments may also be made incrementally—a portion of the costs at different points.

Of the four payment options the NACo survey queried respondents about, 68 percent used either certificates of authorization (37%) or paper vouchers (31%). Seven percent used checking accounts, and no local jurisdiction indicated that they used credit or debit cards. One-quarter indicated that they used a range of other methods: letter of intent, contract with vendors, county warrants, certificate of authorization and signed agreements with vendors.

Michigan Thumb Area Workforce Development Board

In 1996, the **Michigan Thumb Area Workforce Development Board**, which serves four rural counties on the shores of Lake Huron, instituted "an entire system reform initiative" that has become known as the "Tool Chest" voucher program. This program oversees all workforce development grant activities (JTPA, Work First and Welfare-to-Work dollars, noncustodial parent grants, and displaced homemaker and older adult funding) and awards "individual block grants" worth between \$840 and \$4,500, based on the job seeker's characteristics (family size and income, unemployment and public assistance status, education and work experience). Job seekers not only choose the job-training provider they wish to buy services from, but also select which agency will provide career and personal counseling, how much to spend for child care and transportation, who will provide placement services and what health services they might need to prepare them for employment.

Job seekers go through an assessment process and are assigned a case manager. They are then issued a set of paper vouchers they can use at a wide variety of places, including area shops. Before any expenditure is made, the case manager must sign off on the voucher, and that amount is then drawn down from the job seeker's account. Job seekers have up to one year to spend their allocation. Under the Tool Chest program, there has been a slight increase in the amount spent on support services rather than on direct training or placement services.

Job seekers primarily use colleges for training and education, as well as area technical and trade schools. Other services, such as job coaching, and behavioral health and counseling services, are offered by a broad range of providers, including the local community action agency and some major private placement companies, such as Kelly and Manpower. Some providers have begun to offer incentives like free teeth cleaning and free tax preparation to attract job seekers.

The City of Boston

The **City of Boston** has used an individual referral system for its Title III participants since 1992. Job seekers are assessed and those determined to need training fill out a Documentation of Need for Training Form. Once authorized, they are provided with a list of qualified training vendors approved at the state level. Providers must fill out a four-page Request for Quotation Form. Job seekers with four-year degrees are allocated \$2,000; those without are eligible for up to \$5,000. Job seekers in need of literacy, GED or ESL services may also be eligible for an additional \$2,000.

The Baltimore County SDA sends a referral form that can be used as authorization for payment. In Pittsburgh—to avoid the bureaucratic difficulties of processing individual contracts through the City Council—the SDA signs a contract with each vendor and, as individuals decide to attend, amend the contract. In Northern Cook County, the providers are mainly proprietary schools and colleges. Once the student applies and is admitted, he/she returns to the One-Stop counselor who, with the student, completes and signs the registration form. The college then credits the student's account and, after registration, submits an invoice that generally takes about two months to be paid—a common third-party payment method.

The CMA pilots reflect a wide range of payment methods: participant bank accounts, credit and ATM cards, and purchase orders. According to a Public Policy Associates' report, credit cards and bank accounts were easier for the vendors, who received payment immediately, although they sometimes presented administrative difficulties for the SDA. Vendors were generally assured of 30-day payment, although 120 was typical.

The Challenge for Practitioners: A Changing Marketplace

Vouchers will affect a diverse marketplace of institutions that have been operating employment programs over the past several decades, including community colleges, proprietary schools and community-based organizations. Market share varies significantly from one locality to another: some cities and localities have strong networks of nonprofit organizations; others rely largely on community colleges and proprietary schools; and some have a mix of all three. What will happen to these marketplaces when vouchers are introduced? Will student and cash-flow uncertainties affect CBOs' ability to continue to provide training? How will community colleges deal with demands for flexible programs and tracking long-term job retention? Will for-profit institutions see vouchers as an opportunity to gain a larger share of the market? Will nonprofit organizations currently involved in workforce development, but not in the JTPA system, also see vouchers as an opportunity?

While the answers to these questions ultimately await full implementation at the local level, several places that have already launched voucher efforts show some clear trends. The most striking is a significant increase in the number of organizations providing training. The CMA evaluation reports growth in the number of providers, as job seekers and SDA staff shopped for new and diverse services.¹⁴ In Northern Cook County, where the infrastructure had largely been colleges and proprietary schools, the number of providers grew from 15 to 120. In the Michigan Thumb area, over 100 organizations now appear on the menu of services, up from approximately 30. In the city of Baltimore, the number of providers grew from 6 to 60, and in Pittsburgh from 15 to 60. Baltimore County moved from having one service provider, the community college, to having 22. There have been some exceptions to this. In Massachusetts, when Employment Resources, Inc., which had been making individual referrals of dislocated workers, included disadvantaged adults, the increase

in the provider base was negligible. However, in the vast majority of cases, the number of providers notably increased.

In most places, colleges and proprietary schools have increased their market share. In Baltimore, the provider pool, which had previously consisted primarily of nonprofits, now includes major four-year institutions, community colleges and many proprietary schools. In suburban Baltimore County, most growth has been in private career schools and four year public/private colleges. In the Central SDA that serves the suburbs west of Boston, community colleges are located inconveniently for public transportation, so the SDA relies largely on proprietary schools and some four-year institutions. Several SDAs also reported that job seekers traveled out of their jurisdictions to take specialty courses at regional institutions, further widening the pool of training providers.

The introduction of vouchers has in some cases also led to a change in the role of community colleges. In Northern Cook County, many colleges had been providing specialized courses designed specifically for the JTPA population. Under vouchers, the One-Stop now provides the counseling and job-placement services that were once offered by the colleges, and job seekers take existing college classes. Baltimore City Community College (BCCC) had also established job-training courses targeted specifically to JTPA participants. Vouchers enabled job seekers to select from a wider variety of courses, and many job seekers chose credit courses. Full-time noncredit

job-training programs were discontinued during the day, and job seekers either attended the noncredit evening or weekend courses or enrolled in mainstream college programs. Now BCCC continues to offer full-day programs only in response to requests from local employers for customized training.

The growth in service providers has meant that in several places some smaller nonprofits went out of business. The city of Baltimore, for example, had a large number of community-based and nonprofit organizations providing classroom training. Following the introduction of vouchers, several smaller organizations closed their doors. However, the larger nonprofits, including Goodwill and the Urban League, have remained, significantly expanding their role in the workforce development system. The Urban League operates one of the six One-Stop centers and has Welfare-to-Work contracts as well as a base of job seekers with vouchers. Goodwill also plays a key role in the Welfare-to-Work initiative, serves a large number of job seekers with vouchers, and has established partnerships with smaller community-based organizations.

In other locations, nonprofits have changed the role they play in the workforce system. In Pittsburgh, where nonprofits had accounted for a major portion of JTPA contracts, only a few now offer training under the city's modified voucher system. The Pittsburgh Partnership (the local SDA), however, continues to contract with nonprofits for other

services, including adult basic education and GED instruction, job-placement assistance, and training for ex-offenders. It also has contracts with four CBOs to implement a Welfare-to-Work initiative focused on noncustodial fathers, and six CBOs operate HUD Employment Centers under contract with the partnership. While these organizations may not be serving job seekers with vouchers, they are continuing to offer workforce services.

Although the specific experiences in these locations are not necessarily predictive of what might happen under WIA, it is safe to conclude that change in the community of providers will occur: the number of providers will increase, new providers will enter the market, some established contractors will go out of business, and the role of some organizations will change significantly.

Thriving on Vouchers

Responding to Market Forces

Vouchers are designed to introduce consumer choice into the delivery of job training, thereby increasing competition and quality. Competition, however, is not new to the workforce system. With the release of Requests for Proposals each year, local organizations have engaged in intense competition to win JTPA contracts. In most areas, this competition has been among a relatively few service providers aiming to influence the decisions of the Private Industry Council (PIC) board and its staff.

Under vouchers, the nature of the competition changes. Decision-making power shifts to individuals and their One-Stop counselors. Providers who did not compete under the old system may enter the market at any time. Job seekers themselves can seek out new providers that meet their needs. Organizations that have contracts,* must now find ways to get into new markets, even as they seek to retain participants under the Workforce Investment Act.

An organization's success in responding to these new market dynamics will depend largely on how well it can adapt to thinking and operating as a business. Market forces require a business-like response. Proprietary schools and other for-profit organizations already operate within this context and, as such, are well positioned to respond to vouchers. Thinking in business terms, however, marks a major change for many nonprofits and community colleges—for their staffs and for their governing bodies. The following strategies address how organizations can position themselves within the marketplace—how to structure funding, develop relationships with the One-Stop, establish joint ventures, and engage staff and boards in implementing the organization's overall strategy. The strategies also include how to deal with a constant flow of students, structure training so that job seekers have many choices, and balance the short-term goals of recruitment and the long-term concerns of job retention and advancement.

*Throughout this report the term *contract* refers to contracts between an SDA and an organization to train groups of individuals.

***Making Vouchers Work:
Six Keys for Practitioners***

- I. Programs cannot live on vouchers alone—expand your customer base and/or develop a contract base.
- II. Provide job seekers with plenty of choice.
- III. Market your services—to the job seeker and to the One-Stop.
- IV. Establish joint ventures that strengthen your chances of success.
- V. Focus on long-term employment retention and advancement outcomes.
- VI. Channel staff and board concern into creating change.

***1. Programs Cannot Live On
Vouchers Alone***

JTPA contracts have historically provided a base of financial stability to some job-training providers. With a fixed amount of money to serve a certain number of students, organizations developed operating and personnel budgets. Under contracts, even though public agencies may have been slow to pay invoices, larger organizations could sustain cash flow, while smaller organizations could use their contracts to secure lines of credit. Vouchers, however, do not provide organizations with this kind of financial stability. Vouchers appear likely to result in a decline in funding and enrollment among service providers whose market share had been guaranteed through contracts. This lack of financial stability poses a major challenge to those organizations that had contracts under JTPA as well as those seeking to enter the market for the first time.

The organizations that most easily adapted to vouchers were those that already had a financial base outside of JTPA. For colleges where JTPA job seekers attend ongoing classes, vouchers became one more source to add to the mix of tuition and public funding on which colleges rely. Some non-profits—Goodwill and the Urban League in Baltimore, for example—already had a broad funding base. They could easily integrate students with vouchers into ongoing classes. In the Michigan Thumb area, the Community Action Agency was able to

offer counseling services to students with vouchers since staff and facilities were covered by other grants.

In Massachusetts, the Jewish Vocational Service (JVS), a national job-training provider, had experience with two different voucher systems. In two small satellite sites, JVS offered highly successful JTPA-funded computerized accounting programs that served 40 people a year and placed 85 percent of them in jobs at wages above the statewide average. With the move to vouchers, JVS could not attract at one time the number of people with JTPA individual referrals (voucher holders) needed for the class to be cost effective. Eventually JVS had to close both satellite centers.

Expand the Customer Base

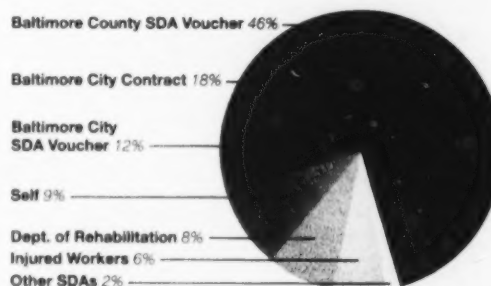
One strategy used by organizations dependent on a single funding source was to expand their customer base. The Occupational Training Center at the Community College of Baltimore County had been set up by the SDA to provide full-time, five-day-a-week classes specifically for JTPA clients. While a part of the college, the center had always operated on grant funds rather than college revenues, and for the first five years, it had been located off campus. Previously the sole service provider for the SDA, the move to vouchers meant the loss of a million-dollar contract—almost 100 percent of its budget. It was essential to continue to attract JTPA clients and to build a new “customer” base to make up for those customers it would

inevitably lose through job seekers’ individual choices. Staff marketed the center’s services and developed a new base of program participants, including injured workers referred by insurance companies and the Department of Rehabilitation, Veterans Affairs students, JTPA clients from adjoining counties, and self-pay students.

Under WIA, One-Stops will coordinate a range of federal job-training funding and issue WIA vouchers only after funds have been sought from other sources for which a job seeker might be eligible. In principle, this means that a wide variety of job seekers will be served at the One-Stop. Organizations that can train a variety of job seekers will be in a strong position to become part of the network of providers. Serving a variety of job seekers can also provide the diverse funding base needed for financial stability.

Figure 1
Sources of Funding for New Students

Community College of Baltimore County, May 1998-April 1999



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Contracts Are Still Possible

WIA offers limited exceptions to the use of vouchers for job training. Contracts may be used for "special populations" or for customized employer training (see box on page 23). Organizations with strong track records with "hard-to-serve" populations or those with well-established relationships with employers may be able to retain contracts under these provisions. The Pittsburgh Partnership, for example, continued with a contract with a CBO to serve ex-offenders. Baltimore City Community College has contracts to provide customized training to employers. Pursuing contracts under WIA by specializing in dealing with a specific population or serving particular employers is another possible strategy.

In addition, contracts for other types of services will also continue under WIA. Job-readiness, placement and retention services may be offered under contract with various agencies. Organizations can develop a contract base through other job-training funding sources. Potential WIA funds, for example, are dwarfed by the funding available through the various welfare reform initiatives. The Departments of Rehabilitation, Veterans Affairs, and Housing and Urban Development also have extensive workforce development efforts.

For example, Action for Boston Community Development, Inc., a large community-action agency in Boston, tried unsuccessfully to run its office careers program exclusively on vouchers. It continued to serve students with vouchers, however,

by having them join ongoing classes funded under a separate contract. In addition to diversifying its customer base, the Community College of Baltimore County marketed to the local Department of Social Services, which generated contracts for pre-employment, job-placement and retention services. In Pittsburgh, while few CBOs provide skills training under vouchers, many remain a part of the workforce development system with contracts through the Welfare-to-Work initiative and the Department of Housing and Urban Development's employment centers. In the city of Baltimore, the community college is currently offering customer service telephone training designed to meet specific employers' needs under contract from the Baltimore Office of Employment Development. Contract opportunities like this will still be possible under WIA and through other public funding sources.

Organizations need financial stability in the new voucher marketplace. This stability can come through serving many different kinds of job seekers from various funding sources. It can also be created by adding voucher students to programs funded by other contracts. Different approaches will meet the needs of different organizations, but it is important to remember that vouchers alone will not do it!

2. *Provide Job Seekers With Plenty of Choice*

Job seekers are attracted to learning environments that give them what they want, when they want it. In some cases, achieving

Contract Provisions Workforce Investment Act Interim Regulations

Section 663.430

Under what circumstances may mechanisms other than ITAs be used to provide training services?

a) Contracts for services may be used instead of ITAs only when one of the following three exceptions applies:

- 1) when the services provided are on-the-job training (OJT) or customized training;
- 2) when the local board determines there are insufficient number of eligible providers in the local area to accomplish the purpose of a system of ITAs; and
- 3) when the local board determines that there is a training services program of demonstrated effectiveness offered in the areas by a community based organization (CBO) or another private organization to

serve special participant populations that face multiple barriers to employment as defined in paragraph (b) of this section. The Local Board must develop criteria to be used in determining demonstrated effectiveness, particularly as it applies to special populations to be served. The criteria may include:

- (i) Financial stability of the organization
- (ii) Demonstrated performance in measures appropriate to the program including program completion rate; attainment of skills, certificates or degrees the program is designed to provide; placement after training in unsubsidized employment; and retention in employment; and

(iii) How the specific program relates to the workforce investment needs identified in the local plan.

b) Under paragraph (a) (3) of this section, special participant populations that face multiple barriers to employment are populations of low income individuals that are included in one or more of the following categories:

- 1) individuals with substantial language or cultural barriers;
- 2) offenders;
- 3) homeless individuals; and
- 4) other hard-to-serve populations as defined by the governor.

this status will require practitioners to restructure how they deliver training to accommodate an unpredictable flow of job seekers and their multiple needs.

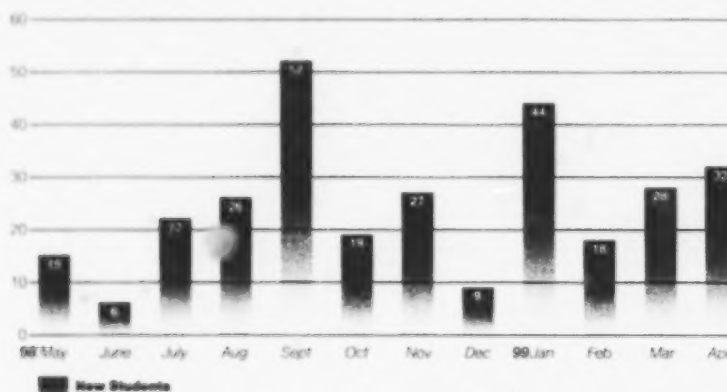
Establish frequent start dates

JTPA programs have generally started up two or three times a year. In a voucher environment, many practitioners have found this method to be ineffective. At JVS in Massachusetts, the director of training services outlined the challenge, "In a voucher or tuition-based system, start dates are often postponed as providers wait for enough customers and dollars to support the program. The challenge is that customers are often on tight time frames and will take their business elsewhere if they are forced to wait for a program to begin." Boston's Action for Boston Community Development, Inc., had similar challenges. While waiting to get enough job seekers to begin, those waiting went to other pro-

grams. Frequent start dates are an important way to increase an organization's chances of attracting job seekers.

On the basis of the experience of its suburban office, JVS in Boston has instituted start dates every seven weeks. The Community College of Baltimore County's Occupational Training Center has always offered biweekly enrollment. On alternate weeks, job seekers can take a three-day orientation before deciding if they want to enroll. Candidates are never more than a few days away from beginning something. Recruitment fluctuates significantly throughout the year, peaking in September and January. During slow periods, staff focus on marketing. Similarly, in Pittsburgh, after 10 years of operating two cycles a year, YWCA Training, Inc., established monthly start dates. Six to seven new participants usually join the group each month.

Figure 2
All New Students: Enrollment by Month
Community College of Baltimore County



JVS's hard-won wisdom, captured in the words of the director of training services, is important: "Potential students often base their program selections on a site visit. They want to see activity, other students and learning in action. Until we enroll that critical mass of students, potential customers will only see empty chairs and quiet computers." Frequent start dates, even if it means small groups, are important in creating a sense of momentum and excitement among potential enrollees.

Offer flexible program designs so that job seekers can choose what they need

Frequent start dates have to be supported by an appropriate instructional strategy. The Occupational Training Center primarily uses a competency-based, self-paced approach in which students remain in skills courses until they meet all course requirements. Courses have been added to meet the increasing need for trained employees in various computer skills. Job seekers can also choose from a wide variety of occupational skills—from computer technician and certification to customer service training. The center accepts no one with reading ability below the sixth grade level, and many students are required to take a self-paced basic skills lab along with their technical skills courses. At YWCA Training, Inc., job seekers enroll in one of three eight-week modules aimed at developing skill in using the Microsoft Office application package. The modules also include courses

in basic skills and professional development. Some job seekers attend all day, others only in the morning or afternoon. After eight weeks, many re-enroll, continuing in training until they are job-ready. Graduations are held periodically and celebrate those job seekers who have gained employment. JVS in Boston offers job seekers customized learning packages that they can put together from 25 different courses. JVS is also exploring a partnership that would allow job seekers from their site to access individualized medical billing training over the Internet.

This shift to individualized instruction also requires changes in the staff approach to teaching. Instructors serve as facilitators of learning, developing independent study skills while imparting specific knowledge. This requires flexibility—with staff moving easily between lectures, small group work and independent activity. These programs also create strong peer support and offer counseling. In Pittsburgh, support groups meet weekly—facilitated by staff who are also responsible for meeting individually with job seekers in their group. In the Occupational Center, "buddy groups" are established among job seekers entering at the same time. Participants attend a week-long, intensive job-search course that culminates in videotaped mock interviews. Staff hold monthly meetings to discuss job seekers' progress, and several full-time counselors provide additional services on an as-needed basis. Staff in both

locations commented on how much more communication was needed to make things run smoothly.

The challenge to community colleges

In localities already using vouchers, community colleges were among the major training providers. It is likely that under WIA more job seekers will use their vouchers to enroll in community colleges. In many ways, community college courses are structured so that students can take what they want, when they want it, while working toward a degree and learning skills needed for a job.

Baltimore City Community College's (BCCC) experience highlights some of the issues that colleges will face. Before the move to vouchers, BCCC had offered short-term noncredit programs customized for JTPA job seekers. In the words of one college administrator, "When vouchers came along and customers could choose, many of them chose credit." Many job seekers then found themselves required to take remedial courses in English and math before qualifying for the vocational programs they wanted. Staff were concerned about the level of frustration that these job seekers might experience and the subsequent impact on retention and placement.

This issue is a familiar challenge to colleges dealing with incoming students with low basic skills. It is made more urgent by WIA's emphasis on performance outcomes. Traditional college time frames and schedules will not suit many job seekers, nor give

them the kind of intensive experience necessary to prepare them quickly for work. Colleges that have developed a wide range of short-term programs that integrate remedial education and vocational and workplace skills will probably be most successful in giving job seekers what they need for immediate employment, while beginning the path of lifelong learning. BCCC is currently developing an "alternative education certificate" earned by learning basic, vocational and critical thinking skills concurrently so that students can move quickly into jobs. In response to a large investment in education and training for welfare recipients made by the California State Chancellor's office, several California colleges have developed interesting models. Some have broken traditional three-credit courses into three distinct one-credit modules. Others have offered accelerated nine-week courses, with students meeting more frequently than in the traditional 17-week semester. Others have offered all-day courses, block scheduling and intense evening and weekend courses. Such innovation will be critical for community colleges seeking to thrive on vouchers.

3. Market Your Services—to the Job Seeker and to the One-Stop

For service organizations accustomed to receiving referred clients, marketing to potential customers requires that they also develop new ways of informing job seekers of their services and dealing with them once they have shown an interest.

Vouchers and the Role of One-Stops

One-Stops will determine who is eligible for a voucher. Job seekers will be eligible for a voucher only after they have received at least one intensive service and have been unable to find employment or attain self-sufficiency.

One-Stops will provide job counseling and guidance for job seekers as they choose a career and a training provider.

One-Stops will coordinate job seekers' eligibility for financial assistance. ITAs will be offered as funds of "last resort." Job seekers will receive WIA funds only when there is no other or insufficient grant assistance to pay for training (not including loans). Each person wishing to receive job-training services will be required to apply for a Pell grant.

One-Stops will maintain an approved list of service providers, who will remain on the list only if they maintain high levels of performance. Job seekers will get a consumer report card on placement, wage and retention rates for each provider.

One-Stops will be at the heart of the process for awarding contracts for other services, including core and intensive services, and postemployment retention.

Three Tiers of Service to Job Seekers:

- **Core services** that include eligibility, information and job-search assistance;
- **Intensive services** that include comprehensive assessments, an individual employment plan, individual and group counseling, case management and short-term pre-vocational services; and
- **Training services** that include occupational skills training, on-the-job training, entrepreneurial training, job readiness, adult education and literacy, and customized employer training.

With the move to vouchers, the Occupational Center at the Community College of Baltimore County produced its first brochure. Each staff person contributed course descriptions and with minimal outside help developed their primary marketing piece. Since then, they have produced brochures to market specific programs.

Yet marketing goes beyond developing program literature. JVS's experience has also spurred it to upgrade its equipment and improve its Boston facilities, as a visit to a prospective training program is often a requirement by the One-Stop counselor and a key factor in a job seeker's decision. Accommodating this flow of job seekers makes substantial demands on staff time. As one practitioner put it, "You may have scheduled orientations, but you always have to have someone at the front door to give the customer the information when they want it. They might not come back for an orientation." Under vouchers, every step in the process of outreach, recruitment and intake becomes a marketing activity, an ongoing process aimed at drawing in job seekers with vouchers.

Learn to Love the One-Stop

Job seekers, however, access the voucher only through a local One-Stop. In all the SDAs examined for this report, JTPA and One-Stop staff were closely involved in the decision-making process. Under WIA, job seekers who want training must first receive core and intensive services accessed through the One-Stop (see box on page 27). Only if

these services do not lead to a job that provides enough income for self-sufficiency will a job seeker be eligible for a voucher. The regulations allow states and localities to define the duration of these first two tiers, specifying that job seekers need to receive only one service in each category. In some localities, this regulation could mean that job seekers might move through these two levels of service in one visit or might take weeks, undergoing assessment and seeking employment. The way the state and locality define these first two tiers of service directly affects the flow of job seekers into training.

Initial versions of WIA attempted to consolidate many job-training programs funded by various federal departments. Although WIA consolidated some programs, it seeks to integrate other funds at the local level through One-Stop centers. In principle, this means that service providers can access new job seekers and new funding sources through the various government agencies mandated to cooperate. In practice, One-Stops' capacity to rise to this challenge will vary considerably. The One-Stops, however, are the cornerstone of WIA and the locus of control for vouchers and contract opportunities. Organizations need to build close relationships with the One-Stops to thrive in the new system.

Practitioners interviewed for this report had experience with One-Stops at many different stages of development. Some were frustrated by the experience of referring clients and "losing them in the system." One-Stops, in some cases, had contracts for

short-term job-readiness training, and job seekers were referred to those services rather than back to training. Others were concerned about the amount of time job seekers spent going through the process of visiting alternative agencies and meeting with case managers. Others were pleased with what they saw as an easy referral process. No matter what the experience, however, all of the job-training providers were clear that "learning to love the One-Stop" or, perhaps more important, making sure that the One-Stop loves them was critical to thriving on vouchers.

In Baltimore, when vouchers hit, staff at Goodwill developed a dual marketing plan aimed at One-Stop staff and at job seekers. They developed a website so these two groups could "shop" for them on the Internet. They got to know the One-Stop system well and were able to determine quickly how best a potential student could access a voucher. They put top priority on keeping the One-Stop in the feedback loop, completing paperwork accurately and quickly as well as developing personal relationships with staff. Goodwill staff understood that their job was to make their agency indispensable to the One-Stop's operation.

Proprietary schools in Baltimore focused more directly on marketing to job seekers, sending them down (in one case literally by the bus load) to the One-Stop to get their vouchers. This technique only served to alienate One-Stop staff, resulting in a series of meetings in which providers were informed that this was an inappropriate approach. This example points to the care-

Mandated One-Stop Partners

Workforce development activities under the following programs **must** be coordinated through the One-Stop:

- Employment service
- Vocational rehabilitation
- Welfare-to-Work
- Older Americans Act
- Post-secondary vocational education under Perkins
- Trade adjustment assistance
- NAFTA-trade adjustment assistance
- Veterans employment and training
- Community services block grant
- HUD-administered employment and training activities
- Unemployment insurance

Permissible Partners

Workforce development activities under the following programs **may** be coordinated through the One-Stop:

- Temporary Assistance to Needy Families (TANF)
- Food stamps
- National and Community Service Act of 1990
- Any other appropriate federal, state or local programs, including programs in the private sector

ful line that providers must walk in marketing to individual job seekers and the One-Stop, as well as to the importance of a dual marketing strategy.

Some organizations have become part of the One-Stop itself. In Pittsburgh and Baltimore, Goodwill Industries is under contract to provide on-site assessment services for the One-Stop. It also serves job seekers with vouchers. The Greater Pittsburgh Literacy Council provides services on site. The Urban League and BCCC actually house One-Stops within their organizations.

4. *Establish Joint Ventures That Strengthen Your Chances of Success*

The business marketplace, which vouchers intend to imitate, has entered into partnerships, subcontracts, collaborations and joint ventures to achieve its goals, even among those companies that have a history of fierce competition. Long-standing tensions have also existed between the various players in the job-training system: community colleges and nonprofits; small nonprofits and the larger nationally affiliated organizations; proprietary institutions and public colleges. Vouchers can and will increase these tensions. But they can also present opportunities for new ways of working together. As job-training practitioners decide how to deal with vouchers, their old enemies may in fact become their best allies.

In Pittsburgh, YWCA Training, Inc., a small office-skills program, had been funded almost entirely through welfare reform grants. With the Pittsburgh Partnership's move to vouchers, the Partnership made it clear that providers must be certified or accredited. To YWCA Training, Inc., staff, the money and time required to attain accreditation were seen as insurmountable barriers. To survive, it needed a partner. Point Park College, a private four-year institution with a strong vocational focus, is located next door, and the college president served on the YWCA board. A strategic alliance was formed between Point Park and YWCA Training, Inc. Job seekers now enroll and take Point Park credit and non-credit courses on-site at the YWCA. Point Park College gains enrollment numbers and a stronger profile in the community, and YWCA Training, Inc. gets the accreditation umbrella needed to do business with the Pittsburgh Partnership.

In Boston, a similar partnership exists between Bunker Hill Community College and the American Red Cross. Students taking courses at the Red Cross Health Aid training program also qualify for credit in Bunker Hill's Allied Health program. The Job Training Alliance of Massachusetts, a coalition of job-training service providers in Boston, is working with the Massachusetts Association of Community Colleges to develop articulation agreements and strengthen links that will allow job seekers who take courses at CBOs to gain college credit.

A word on certification

Several of these joint ventures have been spawned by the necessity of certification. Under WIA, job-training providers are not required to be certified by the state Department of Education/Higher Education to get on state-approved lists; however, it seems likely that some states, if not many, will establish such certification as a requirement. Requiring certification will pose a serious barrier to smaller organizations unable to devote the time and money to get such approvals. In addition, WIA also requires that job seekers apply for Pell grants, which can only be used at state-approved institutions—colleges and appropriately credentialed proprietary schools. If job seekers are eligible for Pell grants, it seems logical for One-Stop counselors to refer them to institutions that qualify to receive these funds. WIA's performance measures also include a "credentialing rate," along with job placement, retention and wage advancement rates designed to measure how many job-training participants acquire nationally recognized credentials. This requirement may also incline One-Stop counselors to send job seekers to programs that produce such credentials.

In many states and localities, smaller, uncertified CBOs may face the prospect of pursuing certification, collaborating with a certified agency, or being unable to receive vouchers. Collaborations between nonprofits and community colleges can benefit both parties. As one community college staff person put it, "We do education and training, but community-based organizations—they

Workforce Investment Act:

Core Performance

Measures for Adults

- Entry into unsubsidized employment;
- Retention in unsubsidized employment six months after entry into employment;
- Earnings received in unsubsidized employment six months after entry into employment; and
- Attainment of recognized credentials relating to achievement of educational or occupational skills.

can do the wrap-around services—that's not our strength." CBOs often have the close relationships with job seekers that can help overcome barriers that keep them from completing programs and getting and staying employed. With six-month job retention and wage advancement as new performance measures, many community colleges could also benefit from working with community-based agencies. Vouchers could spawn many collaborations between these two sectors.

5. Focus On Long-Term Employment Retention and Advancement Outcomes

WIA significantly changes the outcomes by which the performance of job-training providers will be measured. Under JTPA, providers are judged by their ability to place job seekers in immediate employment, and although 13-week follow-ups are conducted, they generally have little effect on the providers themselves. Under WIA, providers' success will be measured by placement rates, six-month employment retention and wage advancement, as well as by student attainment of recognized credentials. Under JTPA, performance information is shared by the provider and the SDA-PIC staff. Under WIA, performance information will be public—made available via consumer report cards to all job seekers. Failure to meet standards set by the governor will result in organizations being dropped from the state-approved providers list. If implemented as outlined in WIA, these measures mean that long-term performance—i.e., assuring that people stay in

jobs and improve their wages—will ultimately define a provider's success in the marketplace.

This shift in performance measures will present new challenges to providers—both to ensure long-term outcomes and to keep track of them.

WIA institutes wage records as the method to determine job placement, employment retention and wage levels for program graduates. Wage records are state databases and only provide information on an individual's employer and his/her quarterly earnings. Wage records do not capture hourly wages or provide data from which they can be calculated. In some states, they do not record people who work for federal or state government, the U.S. Postal Service or nonprofits. In anticipation of this new data collection requirement, some states have already analyzed job placement data using wage records and compared it with information collected through surveys. Wage record data show fewer placements. In consideration of these shortcomings, the U.S. Department of Labor will likely allow providers to submit their own data on program participants. Consequently, practitioners must have information systems that can provide reliable information so that the One-Stop's consumer report cards accurately reflect their performance. This information can also be used by providers to develop and refine retention and advancement services to enhance participants' success on the job.

In the sites examined for this report, the shift to long-term performance measures was not yet a factor. However, service providers were judged by the number of graduates who found employment. As may be the case with long-term job retention and advancement, in some places, the direct responsibility for placement had shifted to One-Stop staff or partners. In Northern Cook County, for example, once training has taken place, job placement and follow-up are the responsibility of One-Stop career advisers. In Pittsburgh, the SDA has contracted its placement services out to a for-profit organization, which works with job seekers once they have completed training. Training, Inc., at the YWCA, however, continues to provide job-placement services. The program coordinator explained, "Some people don't make the switch to another set of people easily and come back to work with us. We keep helping them to get a job because we are going to be judged on it." The One-Stop or the One-Stop partner, not the training organization, may provide many of the job-placement and retention services, yet the job-training provider's eligibility to remain on the state-certified list will be dependent on those outcomes.

For many organizations, these new performance measures will require reorienting of their programs—initially to collect information on these measures and then to develop strategies that will improve employment retention and wage advancement. The emphasis on long-term outcomes arises at a time when organizations are concerned with getting people through their doors.

Organizations will need to maintain the balance between filling programs to generate immediate cash flow and ensuring employment retention to keep them in the marketplace over the long haul. Extensive marketing, outreach and recruitment will be needed to create a pool of candidates large enough to include those who can benefit from training. Close communication between intake, training and job-development staff will also be important.

6. *Channel Staff and Board Concern Into Creating Change*

With the move to vouchers, staff of organizations and programs that depended heavily on JTPA were quick to see the connection between the instability of vouchers and the loss of their own jobs. In the words of one practitioner, "When we looked in the mirror, we found that there wasn't much difference between us and the welfare clients we were serving. They had lost their grants and so had we." Another program director put it this way, "The hidden danger in this is that staff see this as so unstable that they walk." Fear about job loss can lower morale and result in key people leaving, but with dynamic leadership, it can also generate motivation for change.

Many of the practitioners interviewed may not have wished for or agreed with the move to vouchers, but the successful ones embraced the reality of the competitive marketplace into which vouchers propelled them. One practitioner viewed it this way, "Instead of figuring out how to deal with this change, many groups are hunkering down."

I'm going to find out who is not getting served and basically make the marketing case as to why my agency should serve them."

Conversations with the practitioners who had moved to vouchers disclosed three approaches to dealing creatively with this transition:

- Acknowledge the crisis and its potential impact on staff's employment,
- Outline a vision of how this crisis might be dealt with, and
- Solicit staff help in making it happen.

Looking back on that time, the story of the transition from contracts to vouchers at the Occupational Training Center of the Community College of Baltimore County illustrates many of these dynamics. The center was established in the early 1980s with a JTPA contract as its sole source of funding. In 1997, the contract was cut in half, and by 1998, with the move to vouchers completed, there was no longer a contract at all. While the center is a part of the Community College of Baltimore County (CCBC), staff were all on one-year employment agreements renewable on the basis of the availability of external grant money. The loss of the contract could have cost them their jobs. Early on in the crisis, the director acknowledged that the center would probably close unless it found new customers and redesigned instruction to meet individual needs. In the director's words, "It was all hands on deck, there was no other way to survive. I couldn't do it alone." Many staff members recall a pivotal meeting. The

director arrived with a large container of margarine. "This is what we are right now. If you want us, you have to buy the whole tub. But this," she said, producing several individual sticks of margarine, "is what we need to look like. We have to *repackage* what we do." Over the next year, instructional staff moved out of established roles. "In some projects, someone else is leader, I'm follower. In others I take the lead," explained one instructor. At first, everyone was involved in writing proposals; then the computer instructor emerged as the primary proposal writer. Staff also had to adapt to an unpredictable flow of students. When students were sparse, staff energy was redirected to implementing marketing plans. With commitment and flexibility, the staff team redesigned the program, found new customers and uncovered contract opportunities. Two years later, the center was viable again.

The move to vouchers also presents new challenges to boards of directors and organizations' senior administrators. Fortunately, CCBC administration was prepared to take the risk that the center could find alternative funding. Program directors of several other organizations talked about the difficulty of convincing board members or senior staff to continue to operate programs without contracts in place. Some program directors did not even attempt to present the option, knowing that their boards were fiscally conservative. One stated, "They already knew how slow payments were even with contracts, so the thought of operating without a contract—just on the idea that

we could attract people with vouchers to the program—was more than they could imagine.”

Financial instability is inherent in the move to vouchers. Some degree of risk taking on the part of organizations is needed to succeed in this new environment. The degree to which organizations, their leadership, staff and boards of directors are able to adapt and operate as a small business—considering cash reserves or “venture capital” and trying to develop their market niche—will largely define how successful they might be. Creating “buy in” throughout the organization is essential.

Conclusion

American employers often cite the lack of skilled employees as the number one challenge to growth.¹⁵ At the same time, many unskilled job seekers and low-wage workers face the prospect of jobs that pay too little to support their families. For them and for the U.S. economy as a whole, skills training is an important strategy. Vouchers are intended to increase the quality of skills training, thereby meeting the needs of employers and workers alike.

Where vouchers have been tried, the job-training landscape has changed: the number of providers has increased; community colleges and proprietary schools have gained market share; larger nonprofits have remained major players; smaller organizations have had difficulty surviving. It is unclear if vouchers will increase the quality of job training and the chances of job seekers to find well-paid jobs, but there is little doubt that vouchers will bring about immediate changes for the practitioners who serve them. Growth in the number of providers may increase some job seekers' choices; the loss of some smaller organizations may narrow the choices of others. For

organizations concerned with ensuring that these changes benefit all job seekers, it is a pivotal time. Organizations currently receiving JTPA group contracts and those wishing to enter the new marketplace need to prepare now for the challenges and opportunities that vouchers may bring.

Organizations that have made vouchers work have approached the challenge as a business enterprise, with job seekers and One-Stop staff as their primary customers. They have developed new products and new product-delivery strategies. They have reorganized instruction, developed new skill areas and created buy-in among staff and board. They have unearthed alternative funding sources and reshaped existing ones, developing strategic alliances that have increased impact and stretched resources. For low-skilled job seekers and low-wage workers to benefit from the shift to vouchers, organizations need to find their own ways of meeting these challenges.

Endnotes

- 1 *Restoring Broadly Shared Prosperity: A Conference Volume*, Ray Marshall, Editor., Economic Policy Institute, Washington, D.C., 1997, Introduction, p.2.
- 2 The introduction to this report is drawn from information presented in *Vouchers: Looking Across the Board*, a summary of conference proceedings sponsored by The Urban Institute, The Brookings Institution and The Committee for Economic Development, October 1998.
- 3 *Survey on Selected Services for Dislocated Workers Under the Job Training Partnership Act (JTPA)*, The National Association of Counties, Washington D.C., June 1997. Prepared by Cynthia Kenny.
- 4 *U.S. Department of Labor: Career Management Account: Demonstration Project Evaluation Final Report*, Public Policy Associates, Lansing, Mich., December 1998.
- 5 Ibid, p.91.
- 6 Burt S. Barnow, "Employment and Training," in *Vouchers: Looking Across the Board*, a summary of conference proceedings sponsored by The Urban Institute, The Brookings Institution and The Committee for Economic Development, October 1998.
- 7 See note 2, *Vouchers*, p.7.
- 8 See note 3.
- 9 Workforce Investment Act of 1998, Sec. 134(d)(4)(F)(i).
- 10 Workforce Investment Act of 1998, Interim Final Rule 20 CFR Part 652 et al.
- 11 See note 3, p.11.
- 12 See note 4, p.40.
- 13 Workforce Investment Act, Interim Final Rule. U.S. Department of Labor, Employment and Training Administration, Sec. 663.535(f).
- 14 See note 4.
- 15 National Association of Manufacturers/Grant Thornton LLP Survey of the American Manufacturing Workforce, *America's New Deficit: The Shortage of Information Technology Workers*, U.S. Department of Commerce, Office of Technology Policy, Washington, D.C., September 1997.

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